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CGAP's Pilot Micro-finance Capacity-building initiative in Africa:
What have we learned?

In April 1997, the CGAP Secretariat launched an experiment called the CGAP Pilot Micro-finance Capacity-building Initiative in Africa. The initiative spanned East and West Africa and focused primarily on working with African training institutes to provide financial management courses to micro-finance institutions (MFIs). The Pilot Initiative sought to build the foundation for the development of a market for quality training and technical assistance services offered on a sustainable basis in the region.

After 20 months of implementation, a number of lessons have emerged that are relevant for donor initiatives attempting to enhance the performance of the micro-finance industry worldwide. These lessons have proved critical to the Secretariat's follow-on capacity-building programs in Africa, Asia, and Eastern Europe and the Newly Independent States.

This note briefly describes the Pilot Initiative in terms of its rationale, objectives, and results. Most importantly, key lessons and preliminary recommendations for implementing capacity-building programs are presented.

Why the Pilot Initiative?

MFIs in Africa face many challenges that limit their capacity to provide viable financial services to significant numbers of poor clients. Micro-finance practitioners, policy makers, and donor representatives have identified the limited capacity of MFI management and staff as the foremost constraint to the development of the industry in the region and the most critical area for investment.

The Secretariat responded by launching the Pilot Initiative based on an analysis of the demand for and supply of training and technical assistance services in West and East Africa. This analysis identified a gap between demand for services on the part of MFIs on the one hand and the capacity and experience of potential service providers on the other. To begin bridging the gap, the Pilot Initiative's central activity was to work with African training institutes to develop and implement a series of three short, highly focused financial management courses for MFI managers.

The Pilot Initiative Described

As originally conceived, the Pilot Initiative worked toward the achievement of two complementary long-term objectives:

- Improve the institutional viability of MFIs with a business orientation in Africa; and

- Enhance the human resource base in micro-finance in Africa through sustainable training programs.

During the life of the Pilot Initiative, the Secretariat hoped to accomplish the following more modest short-term objectives:

- Reinforce financial management and stocktaking within African MFIs
- Link African service providers to CGAP tools
- Expand CGAP knowledge base and disseminate information about service providers in Africa
- Set up an institutional framework for building a market for capacity-building services in Africa.

A number of key strategic principles underpinned all activities under the Pilot Initiative:

- Link with existing local providers rather than foreign trainers
- Bring training closer to MFIs at a national level instead of costly and often inaccessible regional or international training that requires heavy travel costs
- Twin trainers with practitioners for materials development and course implementation in order to ensure that services meet the needs of MFIs
- Employ a value-neutral approach to all service provision with respect to the "best" methodology, legal structure, etc.
- Seek replicability of materials and modules
- Provide MFIs opportunities to learn from each other
- Require cost efficiency and a high level of cost recovery
- Ensure delivery of short, practical, and relevant courses in response to the expressed preferences of MFIs
- Collaborate with other donors' programs and avoid duplication.

Results Compared to Expectations

Between May and June 1997, the Secretariat signed contracts with training institutes in Tanzania and Benin. Since that time, the Pilot Initiative has facilitated the development of four courses and a training of trainers module (ToT), the delivery of 19 courses in 11 countries and three languages with more than 500 participants from approximately 250 MFIs.

The courses developed include:

1. Delinquency Measurement and Control and Interest Rate Calculation and Setting
2. Accounting for Micro-finance
3. Financial Statements and Analysis
4. Business Planning and Financial Projections
5. Training of Trainers -- Adult Education for Financial Management Courses.

The countries of operation were: Benin, Burkina Faso, Cameroon, Ghana, Kenya, Madagascar, Mali, Mozambique, Tanzania, Togo, and Zimbabwe.

In terms of the initiative's short-term objectives, the Pilot Initiative succeeded in introducing a series of high-quality courses delivered by a few very good individual African trainers and raising the profile of financial management in the region. Participants responded extremely positively to the courses, with all course evaluations revealing very high levels of satisfaction. However, quality assurance and the development of the supply side of this market -- the training institutes -- posed the most difficult challenges during implementation. In fact, the quality of course materials and course delivery became the Secretariat's number one preoccupation under the Pilot Initiative.

As Table 1 indicates, the Pilot Initiative exceeded expectations in some areas, but underperformed in others. The differences between expectations and accomplishments are due to the Secretariat's flexible implementation style that allowed for quick responses to changes in demand on the ground.

Table 1. Expectations vs. Accomplishments

Expectations	Accomplishments
3 courses developed	4 courses (added business planning) plus ToT
28 courses delivered	19 courses delivered plus 5 ToT
2 languages	3 languages
>10 countries	11 countries
> 100 MFIs	250 MFIs (approximately)
840 participants	500+ participants
18-month program	30-month program

Flexible Implementation

During the course of implementation, a number of issues arose that required significant adaptations in the design of the Pilot Initiative. Some unexpected developments include:

Capacity of Training Institutes: The Secretariat greatly overestimated the capacity of the local training institutes to develop the courses and then deliver them simultaneously over a very tight timeframe. This miscalculation resulted in a heavier than expected reliance on Secretariat staff and international consultants for course development, monitoring, and implementation of training of trainers. An unplanned external evaluation of the East African partner in April 1998 led to a suspension of contracts until fundamental problems could be addressed.

Additional Countries and Languages: The Pilot Initiative added five countries not expected under the initial plan, including Zimbabwe, Ghana, Madagascar, Cameroon, and Mozambique. The Mozambique program meant that the materials were translated into a third language, Portuguese. Although the original plan contemplated the simultaneous development of materials in English and French, in practice the English version served as the basis from which all French and Portuguese courses were translated, thus causing a time-lag between the courses in English and the other languages. Translation proved very complex and time consuming, particularly due to the highly technical terminology and the need for some adaptations in accounting and other practices. The courses also required significant redesign after testing, and each round of changes called for a new round of translation.

Additional Courses: Based on demand from the field and the existence of a new CGAP technical tool, the Business Planning and Financial Projections course was added to the Pilot Initiative's series. The Secretariat also entered into a partnership with Calmeadow to produce a game that is included in the Accounting course. In addition, the courses include the latest techniques in adult education, emphasizing the active involvement of the participants, rather than a reliance on traditional lecturing. This element has proved crucial to the courses' success. To upgrade and evaluate local partners' skills, a training of trainers course was also developed and delivered on five occasions.

Replicability: The courses proved highly replicable within a framework where the Secretariat had some level of quality control. For instance, the materials were used in the East and Southern Africa spinoff investment, AFCAP, in conjunction with the British Department for International Development (DFID), the recently begun CGAP Asia Pilot Initiative, the CGAP-supported Micro-finance Centre in Poland, and the CGAP Secretariat courses for the Economics Institute in Boulder, Colorado. However, the materials were not easily replicable independently by local training institutes as initially envisioned, since training of trainers and external quality control were key to the success of the program.

Donor Linkages: The Secretariat found many more ways of collaborating with other donors during the course of implementing the Pilot Initiative than originally anticipated. Examples include the World Bank and Australian government's partial financing of participant scholarships in Mozambique, collaboration with DFID in Zimbabwe, and the joint organization of courses with the ILO in Madagascar and with the World Bank in Togo and Benin. For phase two of the program, the Secretariat has devised an exit strategy whereby it passes the baton of responsibility to its member donors, such as DFID in East and Southern Africa. For the second phase of the francophone program, the Secretariat is exploring similar partnerships.

Costs

Table 2 shows the Pilot Initiative's actual expenses versus budget expectations. The table illustrates the basic storyline of implementation: it cost less in dollar terms but proved much more intensive in terms of Secretariat and international inputs. Further, participant scholarships made up a relatively small part of overall costs, partly because fewer courses were offered, fewer participants attended courses than anticipated, and other donors provided scholarships, but also partly due to a larger proportion of participants paying full cost-recovery fees.

Table 2. Pilot Initiative Costs

	Budget	Actual	Variance
Course Design			
Training Institutes	380,000	60,242	(319,758)
Consultants	30,000	195,509	165,509
Total Course Design	410,000	255,751	(154,249)
Course Implementation			
Scholarships	237,000	168,077	(68,923)
CGAP Travel		52,183	52,183
Consultants		127,182	127,182
Total Course Implementation	237,000	347,442	110,442
Follow-up Technical Assistance	100,000	5,803	(94,197)
Other*		46,242	46,242
Total	**747,000**	**655,238**	**(91,762)**

* Includes evaluations, scholarships for trainers to Boulder courses, and miscellaneous materials

Key Lessons

The following points outline the main lessons of the Pilot Initiative:

Lack of Service Providers: A competent supply of training designers, trainers and technical consultants is the biggest bottleneck to the development of local markets for capacity-building.

Choosing Local Partners: The choice of the local training institute/partner should depend on their orientation and motivation. The keys to success in working with training institutes appear to be: 1) a high-level leader that champions the effort and places high priority on the partnership; 2) a perception by the training institute that the training is a good business proposition as opposed to another donor subsidy; 3) an element of risk-taking and entrepreneurial behavior (unfortunately not often found in traditional training institutes); and 4) a good understanding of a logical market that the institute can efficiently service, and a clear strategy for attracting its market niche. A number of types of service providers may be required (i.e. not only training institutes), depending on market size and conditions.

A Long-Term Strategy: High-quality training courses in financial management of micro-finance institutions are relatively new in many parts of Africa. Identifying and developing a core of competent trainers has been a long process, because good trainers must master the technical content of the courses and have excellent adult education and communication skills to draw the attention of the participants.

Importance of Marketing and Logistics: Marketing and logistical arrangements affect the quality of the courses. The Secretariat initially focused on content and trainer quality, vastly underestimating the crucial importance of marketing and logistics for successful training. Local training institutes tend to be weak in these areas that often make the difference between a good course and a great course.

Content, Content, Content: There is no substitute for good content. The courses combine the latest technical knowledge of micro-finance with the cutting edge in adult education/experiential learning.

Course Development: Course development should be done by technical experts and is a long process. It is not always realistic to expect service providers to develop course materials, particularly in regions with few examples of best practice micro-finance. Additionally, the courses have required significant redesign, a constant process that takes time and intensive quality control.

Technical Support: A high level of external technical support is necessary to ensure good course materials and trainer quality. The Secretariat built a cadre of international talent with local experience to support course development, monitoring, and implementation. Every course has required monitoring by the Secretariat or other international experts to ensure quality.

Secretariat Time Investment: Training initiatives are time intensive. The Pilot Initiative required a very heavy investment of Secretariat time in course development, re-development, marketing, logistical arrangements, and monitoring. To a large extent, this time investment resulted from an overly optimistic expectation that the training institute partners could handle many responsibilities on their own. The Secretariat's distance from Africa exacerbated the burden.

Flexible Program Design: Flexibility in the design of a capacity-building initiative is crucial for the success of a market-based approach; rigid adherence to specific deliverables and timeframes may well compromise quality. Unfortunately this very flexibility poses challenges to performance-based partnerships based on targets specified from the outset, since it is not often easy to measure success as easily in a highly dynamic environment.

Prospects for Cost Recovery: Cost recovery has remained elusive although preliminary results are promising. In East and Southern Africa, some MFIs paid the full cost recovery fee. In West Africa, participants have paid an increasing proportion of the total fee over time and all have paid at least half of actual course fees. Ongoing subsidies by other donors for training in Africa continues to threaten prospects for cost recovery.

Use of Scholarships: When course scholarships are offered, they should not be managed by the training partner. For instance, scholarships should not be a "given" and announced in marketing materials. This approach to scholarships greatly decreases the incentives for the service provider to market the course based on its true quality and costs, and does not lead to long-term sustainability once scholarship subsidies disappear. One solution is to recruit other donors to support the initiative and provide partial scholarships to their MFI partners.

Training Impact: Impact of training is difficult to ascertain over the short run. Preliminary indications show that although the training under the pilot Africa initiative has been effective in exposing MFIs to technical aspects of sustainability and increasing knowledge on the topics, it remains to be seen whether or not the training results in changing practice. One-on-one technical assistance is needed to reinforce course messages and skills to achieve the full impact from the capacity-building initiative, and efforts should be made to link training to longer-term technical assistance. However, much work needs to be done in devising cost-effective mechanisms to make this link sustainable.

Conclusion

The Pilot Initiative offered the CGAP Secretariat an invaluable learning experience. The development of the supply-side of the capacity-building market -- local trainers and technical service providers -- has been the most challenging issue to tackle. On the other hand, the interest and tangible efforts by donors and potential trainers to replicate the program in other markets is one of the most significant achievements of the Pilot Initiative. This benefit has come largely as a result of the high quality of the courses themselves and the enthusiastic response of course participants. Quality assurance and excellent technical content have required significant investment and flexibility on the part of the Secretariat, working closely with local and international trainers and advisors. Donors working on similar capacity-building initiatives should be willing and able to invest considerable time and energy for optimal results.

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